

[REDACTED]  
[REDACTED]  
[REDACTED]  
JUL 30 1981

Gentlemen:

We have considered your application for exemption from Federal income tax as an organization described in Section 501(c)(7) of the Internal Revenue Code of 1954.

The information submitted in support of your application discloses that you were incorporated on [REDACTED] under [REDACTED] Statutes. As taken from your Articles of Incorporation, the purpose of your organization, briefly stated, is to promote square dancing for enjoyment and community betterment.

To date, your primary activity has been Sunday evening square dances at which nonmember square dancers pay admission and participate. As is evident from supplemental information received, these dances have generated nonmember income, from nonmember square dancers from other clubs, which has, on the average, equalled more than [REDACTED] percent of the total gross yearly income of your organization.

Section 501(c)(7) of the code provides for exemption from Federal income tax of clubs organized and operated substantially for pleasure, recreation and other nonprofitable purposes provided no part of the net earnings inures to the benefit of any private shareholder.

Public Law 94-568 has amended Section 501(c)(7) of the code by providing that thirty-five percent of a club's gross receipts is permitted to be received from a combination of investment income and receipts from nonmembers so long as the latter does not represent more than fifteen percent of total receipts.

Inasmuch as nonmember receipts from your club functions have exceeded 15 percent of your total gross receipts, it is our determination that you do not meet the provisions of Section 501(c)(7) and P.L. 94-568 and, consequently, do not qualify for exempt status under Section 501(c)(7) of the Internal Revenue Code.

[REDACTED]

**You are required to file Form 1120.**

**If you do not agree with these conclusions, you may request Appeals Office consideration. To do this, you must submit to the District Director within 30 days from the date of this letter, a statement of facts, law, and arguments, in duplicate, which will clearly set forth your position. You also must state whether you wish an Appeals Office conference. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met.**

**If we do not hear from you within the time specified, this communication will become our determination in the matter.**

**Very truly yours,**

**District Director**

**Enclosure:  
Publication 892**